



Susan Montee, CPA
Missouri State Auditor

October 2007

Thirteenth Judicial Circuit

City of Holts Summit,
Missouri
Municipal Division



Office of
Missouri State Auditor
Susan Montee, CPA

October 2007

An audit was conducted by our office of the Thirteenth Judicial Circuit, city of Holts Summit, Missouri Municipal Division.

The city of Holts Summit Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway counties. The Honorable Gene Hamilton serves as Presiding Judge.

The duties of receiving and depositing monies are not adequately segregated from the recording of transactions. Because the City Clerk is the Court Clerk's mother-in-law, the city passed an ordinance to amend the duties of the City Clerk, so the City Clerk does not supervise the Court Clerk. It appears the Mayor and the Municipal Judge are the Court Clerk's direct supervisors; however, neither provide an adequate review of her work.

Checks and money orders are not restrictively endorsed until the deposits are prepared. Deposits are not always made intact, and the composition of the receipt slips issued is not always reconciled to the composition of the bank deposits. In addition, monies received are not always deposited in a timely manner.

Crime Victim's Compensation fees and Peace Officer Standards and Training Commission fees are not being turned over to the state monthly in accordance with state law. Also, a listing of open items (liabilities) is not prepared periodically and reconciled to monies held in trust.

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YELLOW SHEET

THIRTEENTH JUDICIAL CIRCUIT
CITY OF HOLTS SUMMIT, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Thirteenth Judicial Circuit
and
Municipal Judge
Holts Summit, Missouri

We have audited certain operations of the city of Holts Summit Municipal Division of the Thirteenth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended December 31, 2006. The objectives of this audit were to:

1. Review internal controls over significant financial functions.
2. Review compliance with certain legal provisions.
3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by August 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our finding arising from our audit of the city of Holts Summit Municipal Division of the Thirteenth Judicial Circuit.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Terri Erwin
Audit Staff:	Liang Xu
	James Samek

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THIRTEENTH JUDICIAL CIRCUIT
CITY OF HOLTS SUMMIT, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Accounting Controls and Procedures

Deposits are not always made intact, and the composition of receipt slips is not always reconciled to the composition of the bank deposits. Furthermore, checks and money orders are not restrictively endorsed until the deposits are prepared, and monies received are not consistently deposited in a timely manner. Duties are not properly segregated, a listing of open items is not prepared, and fees are not turned over to the state monthly in accordance with state law.

A. The following concerns relating to receipts were noted:

1. Deposits are not always made intact, and the composition of the receipt slips issued is not always reconciled to the composition of the bank deposits. Although the Court Clerk indicated she reconciles the composition of receipt slips issued to the composition of deposits, a \$200 cash receipt could not be traced to a deposit. On January 24, 2005, a receipt slip was issued for a \$200 cash payment on a defendant's outstanding case balance. The payment was documented in the defendant's case file; however, the money could not be traced to a deposit into the city treasury.

To ensure all receipts are deposited intact, the composition of receipt slips issued should be reconciled to the composition of bank deposits.

2. Checks and money orders are not restrictively endorsed until the deposits are prepared. To reduce the risk of loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
3. Monies received are not always deposited in a timely manner. Monies are normally collected each day, but the Court Clerk indicated that some monies are not deposited until the case has been processed, which could be weeks after moneys are received. For example, a money order for \$130 was received on January 12, 2005, but was not deposited into the city treasury by the Court Clerk until February 4, 2005. On another occasion, a check for \$322 was received on May 10, 2006, but was not deposited into the bond account until June 9, 2006. To reduce the risk of loss, theft, or misuse of funds, monies received should be deposited timely, preferably daily.

- B. The Court Clerk is primarily responsible for receiving, recording and depositing bonds, and disbursing bond monies collected by the court, as well as reconciling the municipal division's bond account. As a result, the duties of receiving and depositing monies are not adequately segregated from the recording of transactions. Because the City Clerk is the Court Clerk's mother-in-law, a city ordinance was passed in April 2005 to amend the duties of the City Clerk. As of April 2005, the City Clerk does not supervise the Court Clerk. Because of this ordinance, it appears the Mayor and the Municipal Judge are the Court Clerk's direct supervisors; however, neither provide an adequate review of her work. In addition, court fines and fees are deposited directly into the city treasury, though no one independent of the receiving, recording, or depositing processes reconciles the amount deposited with the cases filed or the receipt slips issued by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Although the Municipal Judge indicated he reviews the court dockets and individual case files, internal controls could be improved by implementing an independent, documented comparison of the court docket to recorded receipts and bank statements, and a periodic review of bank reconciliations. In addition, the amount deposited into the city treasury should be reviewed to ensure that all monies received are being turned over by the Court Clerk.

- C. A listing of open items (liabilities) is not prepared periodically and reconciled to the book balance. A monthly listing of open items is necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. The clerk was able to prepare a listing as of August 15, 2007, which showed total liabilities of \$2,182.

Documentation of this monthly listing should be prepared and maintained to properly account for monies held in trust.

- D. Crime Victim's Compensation (CVC) fees and Peace Officer Standards and Training Commission (POSTC) fees are not being turned over to the state monthly in accordance with state law. CVC and POSTC fees have been assessed and collected by the court for violations of municipal ordinances, except for cases dismissed by the court. The fees are deposited directly into the city treasury, and the city remits these fees to the state quarterly. Section 595.045, RSMo, requires 95 percent of the CVC fees to be paid monthly to the state. POSTC fees, established by Section 488.5336, RSMo, should also be disbursed to the state monthly.

WE RECOMMEND the city of Holts Summit Municipal Division:

- A.1. Reconcile cash, checks, and money orders received to the composition of bank deposits to ensure all receipts are properly handled.
2. Restrictively endorse checks and money orders immediately upon receipt.
3. Deposit all monies on a timely basis, preferably daily.
- B. Adequately segregate the duties of receiving and depositing monies from that of recording and disbursing monies. If a proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to the amount and composition of bank deposits, and an independent review of bank statements and month-end reconciliations. Any unusual items or discrepancies should be investigated.
- C. Prepare and maintain a monthly listing of open items and reconcile to the funds held in trust.
- D. Remit CVC and POSTC fees to the state monthly in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, and City Clerk provided the following responses:

- A.1. *We agree. A second person is recalculating the deposits after they are prepared by the Court Clerk. We will have her review the composition of the deposits and initial to document her review in the future.*
- A.2.
&D. *These recommendations have been implemented.*
3. *This recommendation has been implemented. The court had been told previously that money should not be deposited until a case was filed by the Prosecuting Attorney.*
- B. *We agree. The City Treasurer can begin doing the bank reconciliations for the bond account. In addition, deposits are being reviewed as discussed in A.1.*
- C. *We agree. We will implement a spreadsheet and provide it to the City Treasurer monthly to perform the bank reconciliation.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTEENTH JUDICIAL CIRCUIT
CITY OF HOLTS SUMMIT, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Holts Summit Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway counties. The Honorable Gene Hamilton serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	Curtis Hanrahan
Court Clerk	Ashley Fletcher
City Clerk	Cheryl Fletcher

Financial and Caseload Information

	<u>Year Ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
Receipts	\$103,660	122,590
Number of cases filed	852	975